

# **COMMODORE INTERNATIONAL LIMITED**

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## **1982 Second Quarter Report**



## TO OUR SHAREHOLDERS

**T**he second quarter and first half of fiscal 1982, which ended on December 31, 1981, represented significant milestones for your Company, as new records were set for sales, net income and earnings per share.

### Record Results

Net sales of \$70,056,000 for the quarter ended December 31, 1981 were 55.5% higher than the \$45,050,000 reported for the second quarter of fiscal 1981. Net income of \$9,305,000 exceeded the second quarter 1981 net income of \$5,787,000 by 60.8%. Earnings per share, also a record high, were \$.91 and 62.5% above the \$.56 per share reported for the second quarter of 1981.

For the first half ended December 31, 1981, net sales rose to a record \$124,206,000, or 54.8% above last year's \$80,262,000. Income before extraordinary item for the first six months, also a record, rose to \$16,585,000 compared to \$10,304,000 last year, this representing a gain of 61%. Most importantly, earnings per share for the first six months of fiscal 1982 rose 62% to \$1.62 per share compared to \$1.00 per share for the first half of 1981.

### United States Microcomputer Systems Sales Up Over 80%

Computer systems sales for the second quarter and the first half of fiscal 1982 were very strong and were greatly aided by the solid contributions made by our shipments in the United States, where sales rose over 80% compared to the first six months of last year.

### VIC 20 Progress

In an effort to better serve the consumer segment of our microcomputer business, we have signed manufacturer's representatives who will handle the sales of our \$299.95 "VIC 20" home computer in the U.S. to department stores, specialty retailers, audio and hifi stores, appliance stores, and other mass merchandisers. Through this network, we will be able to reach consumers in all regions of the U.S. This distribution is in addition to direct company sales to regular computer dealers.

### Semiconductor Sales Continue at Record Level

The Semiconductor Division again set new records for production of semiconductor devices and sales of such devices to outside customers, while continuing to meet record high demand for use in our own microcomputer systems. Sales of semiconductors to outside customers achieved during the most recent quarter and first six months of this fiscal year were at a record level and significantly ahead of last year's comparable periods. A series of

new proprietary semiconductor devices were introduced which will enhance further the Computer Systems Division product line. Our MOS Technology semiconductor division also started shipping the 6500/1 single chip microcomputer, a powerful, yet economical, device which is used in games, data acquisition units, telecommunications and many other consumer applications.

### New Product Introductions

Your Company received much attention at the recent Consumer Electronics Show in Las Vegas with the introduction of the "ULTIMAX", a \$149.95, state-of-the-art combination video game/microcomputer/music synthesizer and the "COMMODORE 64", a full color, 40 column microcomputer with 64,000 bytes of memory which, at \$595 retail, will be the lowest priced 64K microcomputer in the world.

These new products utilize two new semiconductor devices, the Video Interface Circuit (VIC chip) and the Sound Interface Device (SID chip), representing the culmination of two years of research and development.

### Other Developments

The agreement for the purchase of the Zenith plant in Lansdale, Pennsylvania reported in the last quarterly report to Shareholders was terminated in December. We are continuing our search for additional office, manufacturing and warehouse space.

In addition, we are pleased to report that on January 8, 1982, the California Superior Court ruled in favor of your Company in a suit against a former employee and ordered the return of 54,000 shares of the Company's common stock wrongfully received by him.

We are pleased with the progress achieved during the first half of this fiscal year and look forward to a continuation of the positive trends in sales and earnings over the remaining six months of fiscal 1982 and through fiscal 1983.

Sincerely,

 

Irving Gould  
Chairman of  
the Board

Jack Tramiel  
Vice Chairman and  
Chief Executive Officer

February 5, 1982

## CONSOLIDATED BALANCE SHEETS

Commodore International Limited and Subsidiaries  
(In thousands of Dollars)

	December 31 1981	June 30 1981
<b>Assets</b>		
Current Assets:		
Cash and deposits	\$ 27,708	\$ 9,500
Accounts receivable, net	63,000	48,100
Inventories:		
Finished goods	35,799	26,800
Raw materials and work-in-process	41,089	26,000
Prepaid expenses	2,032	1,300
Total current assets	169,628	111,700
Plant, Property and Equipment, net	42,087	32,700
Other Assets	655	700
	<b>\$212,370</b>	<b>\$145,100</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Loans payable	\$ 28,436	\$ 3,900
Current portion of long-term debt	3,229	2,900
Accounts payable	40,588	28,500
Accrued liabilities	9,763	8,600
Income taxes payable	8,805	6,300
Total current liabilities	90,821	50,200
Long-Term Debt	41,565	32,000
Deferred Income Taxes	1,310	1,300
Shareholders' Equity:		
Common stock, \$.01 stated value and \$1 par value, respectively <sup>(1)</sup>		
Authorized—45,000,000		
and 15,000,000 shares, respectively		
Outstanding—10,100,000 shares	101	10,100
Contributed surplus	10,724	600
Retained earnings	67,849	50,900
Total shareholders' equity	78,674	61,600
	<b>\$212,370</b>	<b>\$145,100</b>

## CONDENSED STATEMENTS OF INCOME

Commodore International Limited and Subsidiaries  
(In thousands of Dollars, except earnings per share)

	For the Three Months Ended December 31		For the Six Months Ended December 31	
	1981	1980	1981	1980
<b>Net Sales</b>	<b>\$70,056</b>	\$45,050	<b>\$124,206</b>	\$80,262
Income from operations	11,605	7,365	20,675	13,114
Provision for income taxes	2,300	1,578	4,090	2,810
Net income before extraordinary item	9,305	5,787	16,585	10,304
Extraordinary item	—	—	300(2)	—
<b>Net Income</b>	<b>\$ 9,305</b>	\$ 5,787	<b>\$ 16,885</b>	\$10,304
<b>Earnings Per Share:</b>				
Before extraordinary item	<b>\$.91</b>	\$.56	<b>\$1.62</b>	\$1.00
Extraordinary item	—	—	.03(2)	—
<b>Net Income</b>	<b>\$.91</b>	\$.56	<b>\$1.65</b>	\$1.00
Average common shares and common share equivalents	<b>10,235,000</b>	10,260,000	<b>10,268,000</b>	10,260,000

(1) Common Stock was changed from \$1 par value to \$.01 stated value  
by approval of the shareholders on November 9, 1981.

(2) Tax Benefit Net Operating Loss carryforward.

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Commodore International Limited and Subsidiaries  
(In thousands of Dollars)

For the Six Months  
Ended December 31

	1981	1980
<b>Working Capital Was Provided by:</b>		
Net Income	<b>\$16,885</b>	\$10,304
Items not requiring working capital		
Depreciation and amortization	<b>3,016</b>	1,822
Total working capital provided by operations	<b>19,901</b>	12,126
Increase in long-term debt	<b>13,025</b>	3,673
Common stock issued upon exercise of stock options	<b>154</b>	2
Decrease in other assets	<b>67</b>	—
Total working capital provided	<b>\$33,147</b>	\$15,801
<b>Working Capital Was Applied To:</b>		
Purchase of property and equipment	<b>\$12,370</b>	\$ 4,795
Increase in other assets	<b>—</b>	756
Repayment of long-term debt	<b>3,486</b>	608
Total working capital applied	<b>15,856</b>	6,159
Increase in Working Capital	<b>\$17,291</b>	\$ 9,642
<b>Changes in Working Capital Consist Of Increases In:</b>		
Current Assets		
Cash and deposits	<b>\$18,223</b>	\$25,385
Accounts receivable	<b>14,938</b>	9,593
Inventories	<b>24,019</b>	4,107
Prepaid expenses	<b>761</b>	411
	<b>\$57,941</b>	\$39,496
Current Liabilities		
Loans payable	<b>\$24,536</b>	\$22,176
Current portion of long-term debt	<b>358</b>	367
Accounts payable and accrued liabilities	<b>13,224</b>	5,355
Income taxes payable	<b>2,532</b>	1,956
	<b>40,650</b>	29,854
Increase in Working Capital	<b>\$17,291</b>	\$ 9,642

The foregoing statements are not audited but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the periods shown.

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# **Commodore International Limited**

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